UOBKayHian

Company – Results | Malaysia

Wednesday, 26 August 2026

Sunway Construction (SCGB MK)

2Q26: Stellar Quarter Matching Expectations

Highlights

- 1H26 earnings were within expectations, making up 50% and 51% of our and consensus full-year estimates, respectively. Yoy growth was mainly driven by a favourable project mix which lifted blended margins.
- Declared interim of 4 sen, bringing 1H26 dividend to 26.8 sen (1H25: 12.25sen) which implies a payout ratio of 163% and a yield of 3.3%
- Downgrade to HOLD despite a higher target price of RM8.44 (from RM7.88), which implies 21.6x 2027F PE (+1SD above five-year mean of 18x), following an impressive share price rally.

2Q26 Results

Year to 31 Dec (RMm)	2Q26	qoq % chg	yoy % chg	1H26	yoy % chg	Comments
Revenue	1,017.7	(0.5)	(31.1)	2,040.4	(29.1)	Lower progress billing yoy as 2Q25 had DC acceleration
- Construction	941.6	(0.9)	(34.3)	1,892.2	(32.5)	
- Precast Concrete	76.1	5.5	75.2	148.2	100.1	Higher contributions from ICPH and new projects
Operating profit	111.3	(17.4)	(2.8)	246.0	9.8	
- Construction	108.9	(16.6)	(5.4)	239.4	6.9	
- Precast Concrete	2.4	(40.6)	541.2	6.5	n.a.	
Pre-tax Profit	131.3	(15.1)	7.1	286.0	21.3	Higher construction margin and precast earnings
PATAMI	103.6	(12.5)	23.5	222.0	39.1	
Core PATAMI	104.3	(8.8)	10.8	218.6	24.0	
Margins	%	+/-ppt	+/-ppt	%	+/-ppt	
EBIT:	10.9	-2.2	3.2	12.1	4.3	
- Construction	11.6	-2.2	3.5	12.7	4.7	Higher DC margins
- Precast Concrete	3.2	-2.5	4.5	4.4	4.4	Improved contract replenishment
PBT	12.9	-2.2	4.6	14.0	5.8	
Core PATMI	10.2	-0.9	3.9	10.7	4.6	

Source: Suncon, UOB Kay Hian

Analysis

- **2Q26 results matching expectations.** Sunway Construction's (Suncon) 2Q26 core net profit came in at RM104.3m (-9% qoq, +11% yoy), despite a lower revenue of RM1.02b (-1% qoq, -31% yoy). 1H26 earnings made up 50% and 51% of our and consensus full-year estimates respectively.

Key Financials

Year to 31 Dec (RMm)	2024	2025	2026F	2027F	2028F
Net turnover	3,521.7	5,338.7	5,836.7	6,312.2	6,450.0
EBITDA	279.4	469.2	524.7	558.6	588.3
Operating profit	262.2	448.2	495.6	532.6	564.2
Net profit (rep./act.)	186.9	361.8	466.7	503.3	536.1
Net profit (adj.)	167.2	425.1	466.7	503.3	536.1
EPS	13.0	33.0	36.2	39.0	41.6
PE (x)	62.3	24.5	22.3	20.7	19.4
P/B (x)	11.9	9.6	10.8	10.9	11.0
EV/EBITDA (x)	36.4	18.7	16.9	15.6	14.7
Dividend yield (%)	1.0	6.2	5.7	4.9	5.2
Net margin (%)	5.3	6.8	8.0	8.0	8.3
Net debt/(cash) to equity(%)	(32.5)	(156.4)	(171.4)	(189.5)	(197.4)
ROE (%)	n.a	n.a	n.a	n.a	n.a
Consensus net profit	24.7	42.0	58.4	63.3	67.8
UOBKH/Consensus (x)	n.a	n.a	425.5	475.0	496.5

Source: Suncon, Bloomberg, UOB Kay Hian

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HOLD (Downgraded)

Share Price	RM8.08
Target Price	RM8.44
Upside	4.5%
Previous TP	RM7.88

Stock Data

Sector	Industrials
Bloomberg ticker	SCGB MK
Shares issued (m)	1,332.1
Market cap (RMm)	10,763.2
Market cap (US$m)	2,662.4
3-mth avg daily t'over (US$m)	5.3

Price Performance (%)

52-week high/low: RM8.40/RM5.33

1mth	3mth	6mth	1yr	YTD
5.6	7.9	28.7	32.7	42.8

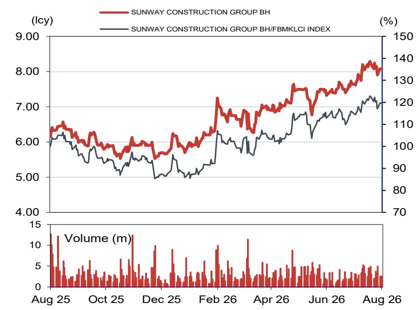
Major Shareholders (%)

Sunway Holdings Sdn Bhd	52.8
Sungei Way Corp Sdn Bhd	5.5
Employees Provident Fund Board	5.2

Balance Sheet Metrics

FY26 NAV/Share (RM)	0.8
FY26 Net Debt/Share (RM)	(1.3)

Price Chart



Source: Bloomberg

Company Description

A leading construction company in Malaysia.

- **Declared second interim dividend of 4 sen.** Suncon declared a 4 sen interim dividend (2Q25: 7.25 sen). For 1H26, dividend of 26.8 sen declared is much higher than 1H25's 12.25 sen, and implies a payout ratio of 163% and a yield of 3.3%
- **Construction segment: Earnings improvement premised on meaningful margin uptick.** The construction division's profit before tax (PBT) improved to RM125m (+5% yoy) despite a significantly lower revenue of RM942m (-34% yoy) in 2Q26. Revenue declined yoy due to lower progress billing as 2Q25 saw accelerated progress of several data centre projects. Nevertheless, PBT margins have seen meaningful expansions (+4.8ppt yoy) due to a more favourable project mix and a higher proportion of Advanced Technology Facilities projects.
- **Precast segment: Recovering from low base.** In 2Q26, the precast segment delivered a higher yoy revenue of RM76.1m (+75% yoy) which presumably reflects improving contributions from Integrated Construction & Prefabrication Hub (ICPH) and newly secured projects. EBIT surged to RM2.4m (+541% yoy) with much better margins (+4.5ppt yoy). We anticipate a similarly strong quarter for the precast segment through 2H26, supported by an existing orderbook of about RM727m.
- **Orderbook replenishment target optimistically revised upwards.** Following recent contracts wins, Suncon has secured around RM6.9b in new jobs ytd. Management now targets to secure a RM7b-9b orderbook in 2026, raised from its initial target of RM6b. Suncon's current outstanding orderbook also stands tall at a record-high of RM10.5b (1.7x orderbook cover), with a tenderbook pipeline of over RM14.2b. We remain optimistic that the group's RM7b-9b orderbook replenishment target in 2026 is highly attainable, well supported by accelerating local infrastructure job flows and data centre (DC)-related contracts.
- **DC-powered growth narratives remain exciting.** Note that Suncon secured three DC contracts worth RM2.9b in 2025, and another approximately RM6.3b in DC contracts ytd. The group currently has three completed and 10 ongoing DC projects with a combined 330MW IT load, with DC works making up 70% of the total outstanding orderbook. Of the current tenderbook of about RM14.2b, above 80% are DC-related. Suncon is also still bidding for a few DC projects with a combined IT load of over 700MW (estimated value of RM11b-13b) that may be awarded within 2026-27. Overall, we assess that Suncon is in a good position to win several DC bids within 2026-27. This will lift the group's overall margins as a DC has a shorter construction period and better profit margins.
- **Valuations appear fair after ytd rally, well-supported by attractive yield and capital management upside.** Suncon is in a net cash position of about RM1.2b currently, reflecting an improving trend over the last two years following better earnings and improved cash flow conversion. Adjacent with the yoy earnings growth, we forecast a 100-125% dividend payout ratio in 2026-28, implying a lush prospective yield of 4.9-5.7%. We also do not rule out further special dividends as the group has sufficient room for better capital management.

Valuation/Recommendation

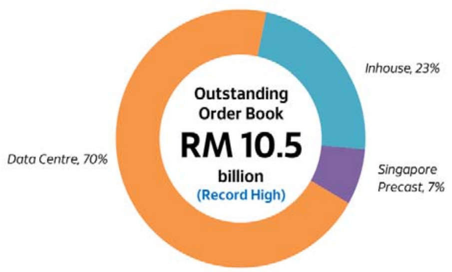
- **We raised our 2026-27 earnings forecasts by 7% and 9% respectively** to reflect higher orderbook replenishment, besides better-than-expected DC contracts' profitability margin.
- **Downgrade to HOLD despite a higher target price of RM8.44 (from RM7.88),** as the recent share price rally fairly reflected the group's fundamental value. Our target price is pegged to 21.6x 2027F PE (+1SD above the five-year mean of 18x).

Outstanding Orderbook As Of End-2Q26

Projects	(RMm)
JHB1X0 Data Centre	139
JHB01 Data Centre	1,346
K2 Phase 2 Data Centre	53
RTS Link Package 1B & 5	10
Daiso Warehouse	25
PSR -MNC	81
PSR – MNC - JB01	558
PSR – MNC - JB02	346
General DC Contractor Work - Shell 1 - MNC	788
General DC Contractor Work - Shell 2 - MNC	2,295
Serendah DC	1,750
India Highways	51
Total External (A)	7,419
RTS TOD	1,054
Sunway Square Superstructure+VO	124
SW Ipoh Mall	864
Sunmed PH3 fit-out	31
Sunway Medical Iskandar	400
Sunway Sanctuary Fit-out Works	20
Total Internal (B)	2,369
Precast Concrete (C)	727
Grand Total (A+B+C)	10,515

Source: Suncon

Orderbook



Source: Suncon

Segmental Forecasts

(RMm)	2025	2026F	2027F
Revenue	5,339	5,837	6,312
- Construction	5,132	5,513	6,141
- Precast Concrete	207	324	171
Operating profit	448	496	533
- Construction	446	460	514
- Precast Concrete	2	36	19
Orderbook replenishment assumptions			
- Construction	4,500	7,000	6,000
- Precast Concrete	300	300	300

Source: UOB Kay Hian

Environmental, Social, Governance (ESG) Updates

Environmental
- Mitigate emissions, biodiversity impact, waste disposal and pollution.
Social
- Work with local authorities and communities to ensure projects' success.
Governance
- Independent directors (four out of seven) comprise the majority of the board.

Profit & Loss

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Net turnover	5,339	5,837	6,312	6,450
EBITDA	469	525	559	588
Deprec. & amort.	21	29	26	24
EBIT	448	496	533	564
Associate contributions	15	17	19	20
Net interest income/(expense)	62	95	104	113
Pre-tax profit	526	607	655	698
Tax	(123)	(134)	(144)	(154)
Minorities	(40)	(7)	(8)	(8)
Preferred dividends	362	467	503	536
Net profit	425	467	503	536
Net profit (adj.)	5,339	5,837	6,312	6,450

Balance Sheet

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Fixed assets	122	112	107	105
Other LT assets	656	759	778	797
Cash/ST investment	2,000	1,898	2,008	2,016
Other current assets	1,646	1,748	1,838	1,826
Total assets	4,424	4,518	4,730	4,745
ST debt	158	131	105	79
Other current liabilities	2,945	3,208	3,470	3,534
LT debt	143	119	95	71
Other LT liabilities	10	10	10	10
Shareholders' equity	1,087	961	954	946
Minority interest	81	89	96	104
Total liabilities & equity	4,424	4,518	4,730	4,745

Cash Flow

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Operating	1,617	647	691	624
Pre-tax profit	526	607	655	698
Tax	(107)	(134)	(144)	(154)
Deprec. & amort.	21	29	26	24
Associates	(15)	(17)	(19)	(20)
Working capital changes	1,133	160	173	76
Other operating cashflows	60	0	0	0
Investing	(27)	(19)	(21)	(21)
Capex (growth)	(44)	(19)	(21)	(21)
Investments	(164)	0	0	0
Proceeds from sale of assets	24	0	0	0
Others	(7)	0	0	0
Financing	(608)	(642)	(561)	(594)
Dividend payments	(305)	(592)	(511)	(544)
Proceeds from borrowings	(422)	(50)	(50)	(50)
Others/interest paid	119	0	0	0
Net cash inflow (outflow)	982	(15)	109	9
Beginning cash & cash equivalent	936	1,914	1,898	2,008
Changes due to forex impact	(5)	0	0	0
Ending cash & cash equivalent	2,000	1,898	2,008	2,016

Key Metric

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	8.8	9.0	8.8	9.1
Pre-tax margin	9.8	10.4	10.4	10.8
Net margin	6.8	8.0	8.0	8.3
ROA	11.4	14.5	15.2	16.1
ROE	42.0	58.4	63.3	67.8
Growth				
Net profit (adj.)	154.2	9.8	7.8	6.5
EPS	154.2	9.8	7.8	6.5
Leverage				
Debt to total capital	25.7	23.8	19.1	14.3
Debt to equity	27.6	26.0	21.0	15.9
Net debt/(cash) to equity	(156.4)	(171.4)	(189.5)	(197.4)